

High level Stakeholders Roundtable on EU ETS Reform Brussels May 12th, 2026

EU-ASE Contribution

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Introduction

EU-ASE is part of the energy efficiency industry, a sector with an overall turnover of around 150 billion euros and employing approximately 1.2 million people across more than 15,000 businesses. The energy efficiency business is driven by effective and well-implemented legislation, as well as accessible funds to finance upfront costs. Of course, the less energy you need, the more competitive you are.

There was a time when there was controversy between those who believed that the ETS, as a market instrument, would solve all our problems, and those who called for non-market-based measures. Those times are long gone. The debate around the ETS, including the possible weakening and suspension of ETS1 and the delay of ETS2, has caused concern well beyond directly interested businesses. In this sense, I was somewhat surprised by the emphasis placed on the concept of 'creating space for emissions' in the Commission's presentation; this seems contradictory to the goal of the entire reform process. And it is somewhat risky in the current political context. In any case, my point is that there is a clear and inseparable link between all aspects of the legal and financial framework surrounding energy, climate and industrial measures, including both market and non-market instruments. Weakening one of them is detrimental for all.

Q1: What are your top three policy priorities?

With this in mind, our first priority is **to dramatically increase control over how ETS revenues are used** and to establish a much stronger link between virtuous behaviour, particularly from incumbents, and the granting of free allowances or access to funds.

Our second priority follows directly from what the Commission itself acknowledged today: **free allowances have slowed decarbonisation**. Twenty years of essentially unconditional free allocation has created a system with very little financial incentive to act. The phasing out of free allowances should be measured not only against risks of carbon leakage, but also against other criteria. This is also because determining if carbon leakage exists or not is quite challenging.

Our third priority is that the **IDB must include explicit energy efficiency criteria**. EUR 100 billion is a significant opportunity. However, with the current system lacking clear priorities and operating on a 'first come, first served' basis, there is a risk that these funds will predominantly flow to costly technologies that have not yet been proven on a large scale and cannot deliver within the required timeframe, despite enjoying significant political support and visibility. In this sense, the concept of technological neutrality often favours the incumbent or those who did not invest in the transition and would now like the public to finance it for them.

Q2 — Complementary instruments beyond the ETS

The **Energy Efficiency Directive** must remain ambitious after 2030 and cannot be undermined by the omnibus simplification package. Regulatory certainty drives investment decisions in our sector.

We need a **European mandatory audit-plus-implementation obligation** for energy-intensive industries, rather than voluntary recommendations. We also need a dedicated financing mechanism accessible to SMEs, which represent the vast majority of our sector, but currently have no realistic access to the IDB.

Q3: Key messages missing from the public consultation

Energy efficiency was never explicitly prioritised in the ETS consultation; it was grouped under the general heading of decarbonisation.

A transparent, comparative cost-effectiveness assessment of different technologies and solutions was also missing.

On a more general level, the 2025 ETS consultation made no specific reference to a fossil fuel phase-out roadmap. **The ETS is being treated purely as a carbon pricing tool and not as a structural instrument for managing the transition away from fossil fuels.** Following the failure of COP30 to agree on such a roadmap, the ETS review is one of the few remaining policy levers through which Europe could send a concrete signal. This opportunity must not be missed.